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# A LETTER

TO THE RIGHT HONORABLE

**LORD VISCOUNT ALTHORP,**

ON THE DANGER OF

HIS LORDSHIP'S NEW PLAN

FOR

EXTINGUISHING THE NOTE CIRCULATION

OF THE

**COUNTRY BANKS,**

AND

*MAKING THE BANK OF ENGLAND*

THE SOLE BANK OF ISSUE.

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**BY A YORKSHIREMAN.**

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"IN THE MULTITUDE OF COUNSELLORS IS WISDOM."

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Ministers, and their noble exertions in the cause of public liberty, have happily for the present controlled this excitement, and confined it within safe limits: but the people know their strength, and if unhappily this confidence should on good grounds be abated—if distress should not be perceptibly and permanently relieved, what can your Lordship expect but a repetition of the same means of redress, which were resorted to on the Reform question? and to which disappointed expectations will give ten-fold force and effect. How cautious then ought your Lordship to be in expressing any sentiment, or risking any measure, that has not an obvious and decided tendency to relieve existing distress, and promote returning prosperity!

When the Lords rejected the Reform Bill it caused a run on the Bank of England, which if it had not been stopped by the return of Earl Grey to power, would have cleared the Bank Coffers in a week. Observe—this was a political run, and confined to the Bank of England. How completely then do even our present currency regulations prostrate the Bank of England, and through it the Government, at the mercy of demagogues who may excite any considerable portion of the people on great political questions! Take the average stock of Gold in the Bank and its branches at 10 millions. Against this may be drawn in a few hours,—The private balances, say 8 millions; notes in circulation and with the Bankers in London, 8 millions; in circulation and with the Bankers in the Country, 12 millions; making 28 millions payable on the instant: besides which there are 15 millions in the Saving Banks payable at a short notice, (belonging exclusively to the lower orders!) making a total of 43 millions!! Let but a fourth part of these vast obligations be demanded, and the Bank stops payment; our boasted currency schemes are blown into the air—happy if we can pay the National Creditor ten shillings in the pound, and save our present expensive

form of government from pure democracy. Does your Lordship's new scheme contemplate or guard against such a frightful position? No! It adds 10 or 15 millions to the circulation of the Bank without enlarging by one shilling the basis upon which it is founded; thus increasing the danger to an indefinite extent.

Your Lordship thinks it essential that the circulation of the country should be kept as free from fluctuation as possible, and to this end you decree that there shall be only one Bank of issue. All will agree that a uniform supply of circulating medium ought to be easily accessible to the public;—never scanty when wanted for proper purposes; never superabundant so as to promote gambling and unwholesome speculation; and that this supply should be so furnished, as to be as free as possible from the disturbances of political excitement or commercial panic. Accomplish this and you present us with a working model of a perfect currency system.

It is to your Lordship's acting in utter ignorance of the real working of the Country Bank system, that I attribute your adoption of the dangerous experiment which you are about to impose upon us. In 1825 and 26 the Country Banks now in existence stood the severest test to which such establishments were ever subject; and though 70 others broke down on the trial, nearly the whole of these have long ago paid twenty shillings in the pound, and the remainder became insolvent in consequence of losses produced by the panic, of which they were the unoffending victims.

The great speculative importing merchants and foreign loan contractors of London, Liverpool, Manchester, and other places, in which a private Country Bank note never circulates, had employed millions borrowed of the Bank of England, or in full reliance on the Bank for support. Their operations gave an unfavorable turn to the foreign

exchanges; the Bank became alarmed, called in their loans, or refused further accommodation: this produced the heavy failures that spread ruin and panic over every part of England. Yet strange to say, in those districts where Bank of England notes were nearly unknown, and which relied solely on the issues of the Country Bankers, credit was best supported and the fewest failures occurred. Yet it is these very Bankers whom you now devote to destruction. I say devote to destruction, because by depriving all the present Banks of the power of issuing notes, you deprive them of half their profits, and nearly all their usefulness. In Agricultural districts, where a note circulation is most needed and most beneficial, the other profits would not be a sufficient inducement to continue the concerns. It is then by the total destruction of the majority of these Banks, which have done the business of the country satisfactorily through the vicissitudes of so many years, that your Lordship would make room for the trial of your new experiment.

That the public feels no disposition to favor the Bank of England is proved by the fact, that the eleven branches which have for some years been established in opposition to the Country Banks, have not paid their expenses, and are not likely to do so. Are the Country Banks too weak in their funds, or too close in their management, to afford the requisite accommodation in loans and discounts? Your Lordship says you have not received a complaint of any kind against them; but let us examine this point:—

Your Lordship is reported to be one of the founders or supporters of the "New National Joint Stock Bank of England," you will therefore probably have read a small pamphlet written by Mr. Joplin, apparently for the purpose of puffing this establishment at the expense of every other. In that partial and exaggerated statement, amongst many other mistakes, you will find it asserted

that "a Country Banker can only advance on commercial bills which he can get re-discounted should any unexpected demand upon him arise."—"The Banks being able to advance money on commercial bills alone, the consumptive circulation of the Country, which consists mainly of their issues, depends on the uncertain amount of such bills as they can obtain;" and he boasts of the vast benefits of the open Cash accounts of the Scotch system, as though they were unknown in England. Now my Lord you will find upon inquiry, that the open Cash account system has been in full operation amongst the Country Bankers of England from the earliest period, probably for a hundred years. There is not a little Country Bank in the poorest Agricultural district that has not Five, Ten, Twenty, Thirty, or Forty thousand pounds lent out in open Cash accounts, over and above every good mercantile bill offered for discount! The open Cash account is the characteristic of the English Banking system; and though sometimes perhaps carried imprudently far; yet accommodation is never withheld, (if wanted for proper purposes) where the security is good, and the probability of repayment within a reasonable limit. Permanent dead loans on mortgage, do not fall within the province of a Country Banker, but are left to Attornies and their Clients.

As a proof of the extent to which open Cash accounts are carried, I could name a Bank that has had £500,000 outstanding in this way, over and above every good bill offered for discount. There may be other such, and I believe there are; but I may safely say, that the Cash advances of the Country Bankers range from £5,000 to £500,000 each; and that there are more of the latter than the former amount. If each Country Banker were to put down the sum he advances in this way, and the whole were summed up, your Lordship would be astounded with the amount. You would be struck with awe at the tremendous responsibility you assume, when

you venture to touch with rude hands, so delicate and complicated a system ; a system that for a hundred years (growing with our growth and strengthening with our strength) has done more to draw forth and foster the productive energies of this great empire, than any other cause whatsoever.

Open competition, whilst it checks over-issues, insures full accommodation to all whose circumstances entitle them to credit ; and that in a way, to an extent, and on terms, that you will in vain attempt to accomplish by the monopoly system. Your Lordship's plan, whilst it cramps the power, takes away the inducement to make these advances : then look at the effect !—The Bankers having notice that in a given time they must pay off their circulations, do not wait the convenience of your Lordship's experiment, but immediately begin to prepare for the event, by refusing new loans and calling in their outstanding advances to the required amount ; as many thought it prudent to do on the passing of Sir R. Peel's bill. Debtors of all descriptions are compelled at once, to begin the process of abstracting millions of working Capital from their concerns, which they had hitherto relied on with confidence. Goods, Farming Stock, Corn, must be prematurely sent to market ; Mortgages foreclosed and Land forced to sale ; but where are the buyers ? In vain would your Lordship attempt to stop the ruin and desolation that would be the consequence. A large amount of these outstanding balances is lent in open Cash accounts, without any tangible security, upon the mere character and credit of the parties. Will the Bank of England pay off these balances ? I fancy not.

Then how is the public to be supplied with Gold, where there is no Branch of the Bank of England ? It will hardly be expected that the Bankers should keep a stock of Gold at their own expense, to take up the notes of the Bank of England. Either then the Bank of

England must bear the expense of a free supply, or the Bankers will charge for Gold, and make the exchange a source of profit. Again—a Banker will not exchange a large Bank-note for small ones, nor small ones for a large one, without a charge. Thus the most trilling money transactions will be subject to troublesome and expensive obstructions. I could name Country Banks in farming districts that now freely give Gold for any local notes payable within the county, or for any payable in London, to the extent of 50 sovereigns, without charge, when wanted for wages or the convenience of change.

How your Lordship proposes that the new plan shall be made to work better than the old, I am at a loss to make out. All we know with certainty is, that you have already condemned the old system without a hearing, in utter ignorance of its real merits and bearings, at a time when the Country is borne down by long-continued, unmitigated distress, caused by the rash blunders of former administrations; in order that you may try an experiment contrary to all sound mercantile principles, and invest one vast monopoly with unlimited and irresponsible control over the whole property of the empire, raising or depressing prices, ruining or exalting classes or individuals, as it may suit the interest or gratify the caprice of the monarchs of the Bank parlour for the time being. The little I know of the subject is enough to convince me that this plan is impracticable; and would your Lordship condescend to seek information in the right channel, and make yourself acquainted with the subject, you would soon come to the same conclusion. My Lord, you are misled by London money dealers, bullion brokers, and foreign loan contractors; by delusive quacks and theorists, who are either ignorant of the working of Country business, or have an interest independent of, or inimical to it. One vast monopoly can never enter into the local wants and interests, the delicate and confidential relations that now exist between the Country Banker and

his connexions. By destroying the present system, you destroy the best safeguard and protection of the Bank of England, and you blindly substitute that which in times of general distress, and consequent political excitement, will inevitably be made use of to overturn both the Bank of England and the Monarchy.

In troubling your Lordship with these observations on a subject of such vital importance to the country, my object is to induce you to pause before you commit yourself on this difficult question. There is more danger in the experiment than you are at all aware of. It can never succeed in furnishing so free, so cheap, *so steady* a supply of working capital and circulating medium as the present plan; and the risk from unsound Banks is nothing, compared with the cost of an expensive, or the injury of a scanty supply.

As your Lordship values the prosperity of the productive classes, or the stability of our political institutions, I entreat you either to let these Banks alone, or to allow them the benefit of a calm and deliberate investigation into the whole merits of the question, as you have done to every other great interest in the empire.

I have the honor to be,

Your Lordship's

Faithful and obedient Servant,

A YORKSHIREMAN.









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